TAB 4
Agreed to May 29, 2002
Source: Division of Legislative Services

Tax System Restructuring Principles Adopted by the State Tax Study Joint Subcommittee on May 29, 2002 (HJR 685/SJR 387, 2001; HJR 60, 2002)

In examining and revising the state tax code, the joint subcommittee supports the following basic principles:

I. Equity----

Fairness

Similar taxes should be imposed on taxpayers with similar circumstances (income, wealth, family size, etc.).

Revenues and services should be allocated between state and local governments in an equitable manner.

User fees may be a more equitable means of paying for certain services.

Taxes should be broad-based with reasonable rates.

All citizens should share a portion of the tax burden.

II. Efficiency----

Avoidance of waste

Taxes should be easy to understand and cost effective to administer (for the government and for the taxpayer).

The primary purpose of the tax code is to raise revenue for necessary government services.

Changes should contribute to the state's competitiveness.

Tax preferences (subtractions, deductions, exemptions, credits) must be rational and limited, and have an accountability component (appropriations vs. expenditures).

III. Adequacy----

Adequate revenues

Taxes must produce enough revenues to fund the necessary services.

When changes are made to the tax code, the total state and local tax burden initially should be approximately the same as it was prior to the changes (revenue neutrality).

IV. Predictability----

Necessary for balanced budgets

The tax base needs to be fairly constant and not volatile.

The state and localities should have a proper allocation and mix of taxes.